

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

TMA2241 - INTRODUCTION TO MACROECONOMICS
(All sections / Groups)

13 MARCH 2019
2.30 pm- 4.30 pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 2 pages with 5 questions only .
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given .
3. Please print all your answers in the Answer Booklet provided .

QUESTION 1

a) Table 1 shows nominal GDP and the associated GDP deflator index for five consecutive years of a country. All GDP are in billions of ringgits (RM). You are expected to calculate the real GDP for each year. (10 marks)

Table 1: GDP statistics

Year	Nominal GDP	GDP Deflator	Real GDP
1	248	119	_____
2	286	168	_____
3	298	155	_____
4	356	159	_____
5	440	154	_____

b) Explain the impact of an expanding underground economy on the GDP of a country. (10 marks)

(Total 20 marks)

QUESTION 2

a) Explain how poor public education and health in low-income countries lead to poor economic growth rate. (8 marks)

b) Table 2 shows the figures for a hypothesized economy that has the opportunity to be either closed or opened.

Table 2: Real GDP and Aggregate expenditures

Real GDP	Aggregate expenditures (billions)	Exports (billions)	Imports (billions)	Net exports (billions)	Aggregate expenditures (billions)
RM200	240	20	30	RM_____	RM_____
250	280	20	30	_____	_____
300	320	20	30	_____	_____
350	360	20	30	_____	_____
400	400	20	30	_____	_____

i) Fill the missing information in Table 2. (4 marks)

ii) What is the equilibrium GDP if the economy is closed? (4 marks)

iii) Determine the equilibrium GDP if the economy is opened. (4 marks)

(Total 20 marks)
Continued

QUESTION 3

a) Suppose you decide to withdraw RM 5,000 from your checking account and use the money to buy a bank certificate of deposit (CD). Briefly explain how this will affect M1 and M2. (6 marks)

b) What is the relationship between inflation, money supply and real GDP? If the money supply grows at a faster rate than real GDP, will there be inflation or deflation in the economy. (6 marks)

c) What are the tools of monetary policy? Explain any **TOW** major tools of monetary control by the Bank Negara Malaysia. (8 marks)

(Total 20 marks)

QUESTION 4

a) What is crowding out effect? Diagrammatically show how an increase in the federal government spending would affect the interest rate. (7 marks)

b) Diagrammatically show how the central bank's expansionary monetary policy can meet the objective of high employment and a contractionary monetary policy can meet the objective of low inflation. (13 marks)

(Total 20 marks)

QUESTION 5

a) Explain the short run tradeoff between inflation and unemployment. (10 marks)

b) Describe the role of long run Phillips Curve in the inflation and unemployment. (10 marks)

(Total 20 marks)

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